

**BOARD OF DIRECTORS :**

Sri J.S.R. Durga Prasad

Sri J. Muralikrishna

Sri V. Umapathi

Dr G.T. Murthy

Chairman

Managing Director

Director

Director

**AUDITORS :**

Mahesh, Virender and Sriram

Chartered Accountants

6-3-788-36 & 37 A

Durga Nagar Colony

Hyderabad 500 016

**BANKERS:**

UCO Bank

Axis Bank Ltd

State Bank of India

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**NOTICE**

Notice is hereby given that the 13<sup>th</sup> Annual General Meeting of the members of VEDAVAAG SYSTEMS LIMITED will be held on 29<sup>th</sup> September, 2011 at 10.30 AM at Royal Function Hall, Moti Nagar, Hyderabad - 500018 to transact the following business:

**ORDINARY BUSINESS :**

1. To receive, consider, approve and adopt the audited Balance Sheet as on 31st March, 2011 and Profit and Loss Account of the Company for the year ended 31st March, 2011 and reports of the Directors' and Auditors' thereon.
2. To appoint Sri. J S R Durgaprasad as Director who is liable to retire by rotation and being eligible offers himself for reappointment.
3. To appoint M/s Mahesh, Virender and Sriram as Auditors of the Company and fix their remuneration.

Place: Hyderabad

Date: 5<sup>th</sup> September, 2011

By Order of the Board

**J. Murali Krishna**

Managing Director

**NOTES:**

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy and vote instead of himself / herself and such a proxy need not be a member of the company. The proxy forms in order to be valid shall be lodged with the company not later than 48 hours before the meeting.
2. The Share Transfer Register and Register of members of the Company will remain closed from 26<sup>th</sup> September, 2011 to 29<sup>th</sup> September, 2011. (both days inclusive).
3. Members / Proxies attending the meeting are requested to duly fill in and sign in the enclosed attendance slip with their copy of Annual Report to the Meeting.
4. Members who hold their shares in dematerialized form are requested to bring their Client ID and DP numbers for easy identification of attendance at the meeting.
5. Shareholders are requested to intimate immediately any change in their address and bank account details registered with the Company in case of physical holders and in case of demat holders to their DP holders directly.
6. Pursuant to the requirements of the Listing Agreement of Stock Exchanges on Corporate Governance, the information about the Directors proposed to be reappointed is given in the annexure to the Notice.
7. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
8. The copy of Memorandum & Articles of Association of the Company is available for inspection by the members on any working hours of the Company and also at the place of meeting till conclusion of meeting.
9. Retirement of Directors by Rotation:

At the ensuing Annual General Meeting , Sri J S R Durga Prasad retire by rotation and being eligible offers himself for re-appointment. The information details to be provided for the aforesaid director under Corporate Governance code are as under:

Mr J S R Durgaprasad FCA, AICWA aged 50 years, is the promoter director of the company. He is the proprietor of M/s Durgaprasad Associates, Chartered Accountants and having experience in Taxation, Project Finance and Audit.

By Order of the Board

Place : Hyderabad

Date : 5<sup>th</sup> September, 2011

MANAGING DIRECTOR

**DIRECTORS REPORT:**

The Directors have pleasure in presenting their 13<sup>th</sup> Annual Report together with the Audited Accounts for the financial year ended 31<sup>st</sup> March 2011.

**FINANCIAL RESULTS:**

Rs in Lakhs

<b>Particulars</b>	<b>2010-11</b>	<b>2009-2010</b>
Total Income	<b>1724.78</b>	1654.23
Profit before Interest, Depreciation and Taxation	<b>687.53</b>	778.90
Interest	<b>5.20</b>	82.24
Depreciation	<b>656.92</b>	686.38
Preliminary & Public issue expenses w/off		2.41
Profit before Taxation	<b>25.41</b>	6.65
Provision for Taxation		
Fringe Benefit Tax		
Income Tax	<b>4.71</b>	1.22
Deferred Tax		
Profit after Taxation	<b>20.69</b>	6.65
Balance brought forward from previous year		
Amount available for the appropriations	<b>20.69</b>	6.65
Surplus carried forward	<b>20.69</b>	6.65

**BUSINESS OUTLOOK AND MANAGEMENT DISCUSSION:**

Your directors are pleased to share with you that your company has completed Thirteen years.

**E-Governance Services:**

The company has received an order worth over Rs 55 Crs from Electronics Corporation of India Limited, a public sector undertaking for Computerization of National Population Register for nine districts in Andhra Pradesh. The project is to be executed over a period of 12 months.

The company has setup over 1000 common service centers in Bihar for delivering various government to citizen (G2C) and Business to Citizen (B2C) services.

The company has bid for many other e-governance projects and expected to have a healthy order book position from this segment.

**Financial Inclusion:**

The company tied up with State Bank of India as business correspondent and to date launched over 100 customer service points in Bihar. The company envisages expanding these operations to most of the CSCs as governments are envisaging delivering benefits such as pension, NREGA payments and such other benefits directly to the citizens.

**Debtors Management:**

The receivables from government continue to be accumulating with low recovery for varied reasons of delay in releases from the state governments.

**FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE:**

**Share capital:**

The paid up share capital now stands at Rs.9,35,00,000 represented by 93,50,000 equity shares of Rs.10/-each.

**Reserves and surplus:**

During the year under review the reserves and surplus stood at Rs.1194.07 lakhs as compared to Rs.1173.37 lakhs in the previous year.

**Fixed Assets:**

The gross fixed assets of the company stood at Rs.5073.90 lakhs, as compared to Rs 4882.37 lakhs as at last year.

**Net Current Assets:**

The net current assets of the company have increased to Rs.1319.60 lakhs as on 31<sup>st</sup> March, 2011 from Rs. 1080.00 lakhs as at 31<sup>st</sup> March, 2010.

**Dividend on Equity:**

Your Directors do not recommend any appropriation towards dividend on Equity Share Capital for the year ended 31<sup>st</sup> March, 2011.

**Fixed Deposits:**

The Company has not invited / accepted any fixed deposits within purview of Section 58 A during the year under review.

**DIRECTORS:**

**DIRECTORS RESPONSIBILITY STATEMENT:**

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors make the following in terms of Section 217 (2AA) of the Companies Act, 1956.

- i. That in accordance with the preparation of the accounts for the financial year ended 31<sup>st</sup> March, 2011, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii. That the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the company for the year under review.
- iii. That the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- iv. That the directors have prepared the annual accounts on a going concern basis.

**STATUTORY AUDITORS:**

The Auditors, M/s Mahesh, Virender & Sriram, Chartered Accountants, Hyderabad retire at the conclusion of the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment. The Company has received letter from the auditors to the effect that their appointment as Auditors, if made, would be within the limits under Section 224 (1-B) of the Companies Act, 1956.

**REPLIES TO AUDITORS' REPORT:**

Since the company is engaged in infrastructure establishment and maintenance projects, and without adequate bank support and with considerable delay in receivables from state governments, there were certain delays in depositing statutory dues. However, the efforts are in place to overcome such instances.

**CASH FLOW STATEMENT:**

A Cash Flow Statement for the year ended 31<sup>st</sup> March, 2011 is attached with the Annual Audited Accounts of the Company.

**LISTING INFORMATION:**

The Securities of the Company are listed with and traded in dematerialized form at Bombay Stock Exchange Ltd from March 17<sup>th</sup>, 2009 onwards. The BSE Scrip Code is 533056 and ISIN No of the Company is INE359B01010. The Company has paid the Annual Listing Fees for the year 2010-11 to the Bombay Stock Exchange Ltd.

**CORPORATE GOVERNANCE:**

The Corporate Governance report is set out as Annexure to this Report.

**AUDIT COMMITTEE:**

Audit Committee consists of the Directors namely Sri V.Umapathi, Sri G T Murthy and Sri J.S.R.Durga Prasad

**ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE:**

The particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988:

**A. Conservation of Energy:**

The operations of the Company involve low energy consumption. Adequate measures have, however, been taken to conserve energy.

**B. Technology Absorption:**

Since business and technologies are changing constantly, investment in research and development activities is of paramount importance. Your Company continues its focus on quality upgradation of product and services development.

	Rs. in Lakhs.	
	2010-11	2009-10
C. Foreign Exchange Earnings :	37.88	12.25
Foreign Exchange out go :	-	-

**PERSONNEL:**

As regards, information pursuant to Section 217(2AA) of the Companies Act, 1956 read with Companies (particulars of employees) Rules, 1975 (as amended), there are no employees governed by the said provisions.

**INDUSTRIAL RELATIONS:**

Industrial relations have been cordial and your Directors appreciate the sincere and efficient services rendered by the employees of the Company at all levels towards the successful working of the Company.

**INTERNAL CONTROLS SYSTEMS AND THEIR ADEQUACY:**

Adequate internal control systems are in vogue commensurate with the size of the operations of the organization. Continuous efforts are being made by constant review to improve the same.

**DECLARATION:**

The Company is filing all Forms and Returns with the Registrar of Companies as required under the Companies Act, 1956. The Company has not committed any of the defaults specified under Section 274 (1)(g) of the Companies Act, 1956 (as amended by the Companies Act, 2000) disqualifying its Directors to act as Directors of other Public Limited Companies.

**APPRECIATION:**

Your Directors take this opportunity to thank all the investors, business partners, clients, bankers, regulatory and Governmental authorities, stock exchanges and employees for their continued support and confidence in the Company.

Place: Hyderabad  
Date : 05.09.2011

For & on behalf of the Board  
**J.S.R. Durga Prasad**      **J. Murali Krishna**  
Chairman      Managing Director

**CAUTIONARY STATEMENT :**

*Statements made in the Management Discussion and Analysis Report relating the Company's objectives, projections, outlook, expectations, estimates etc., may constitute 'forward looking statements' within the meaning of applicable laws and regulations. These statements are based on certain assumptions in respect of future events and Company assumes no responsibility in case the actual results differ materially due to change in internal or external factors.*



**CORPORATE GOVERNANCE REPORT**

In terms of the amended Clause 49 of the Listing Agreement, compliance with the requirement of Corporate Governance is set out below.

**1. Company's Philosophy on Code of Governance:**

Corporate Governance contains a set of principles, process and systems to be followed by Directors, management and all employees of the Company for increasing the shareholders' value keeping in view of other stakeholders. While adhering to the above, the Company is committed to integrity, accountability, transparency and compliance with laws in all dealings with the Government, Customers, Employees, other stakeholders and general public.

**2. Board of Directors:**

## Composition of Board

Category	No. of Directors	%
Executive Promoter Directors	1	25.00
Non-Executive Promoter Directors	1	25.00
Independent Non-Executive Directors	2	50.00
Total	4	100.00

Sri J.S.R. Durga Prasad chaired all the Board Meetings and Annual General Meeting. The Chairman being a Non-Executive Director (Promoter) of the Company, the Board has two-thirds of its strength comprising of Independent and non-executive directors. Non-executive Directors do not have any pecuniary relationship with the Company except as stated below:

S.No.	Name of the Director	No. of Equity Shares held
1.	Sri V.Umapathi	23500
4.	Sri G.T.Murthy	1000

The functions, responsibility, role and accountability of the Board are well defined. The detailed reports of the company's activities are placed before the Board for effective decision-making. Various committees support the Board in its functions. The Board of Directors and its committees meet at regular intervals. The board has constituted three committees viz., Audit Committee, Share Transfer and Shareholders' Grievance Committee and Remuneration Committee.

**Board Meetings held during the year 2010-11:**

The Company's Corporate Governance Policy requires the Board to meet at least four times in a year. The Board met six (6) times in the year 2010-2011 on 15<sup>th</sup> May,2010, 14<sup>h</sup> Aug,2010, 1<sup>st</sup> Oct, 2010, 15<sup>th</sup> Nov, 2010, 3<sup>rd</sup>- Dec, 2010 and on 14<sup>th</sup> Feb, 2011.

Sl.No.	Name	Category	Attendance		Particulars of other Directorships		
			B.M	AGM	Directorships*	Committee	Chairman
1.	Sri J.S.R.Durga Prasad Chairman	Promoter Non-Executive	5	Yes	-	-	-
2.	Sri J.Murali Krishna Managing Director	PromoterExecutive	6	Yes	-	-	-
5.	Dr.G.T.Murthy	Independent Non-Executive	3	Yes	-	-	-
6.	Sri V.Umapathi	Independent Non-Executive	5	Yes	2	-	-

\* Alternate Directorships, Directorships in Private Bodies and Membership in governing councils, chambers and other bodies not considered.

**Information on Director(s) seeking re-election at the ensuing Annual General Meeting**

Sri J S R Durga Prasad retire by rotation and being eligible offers himself for re-appointment. The information details to be provided for the aforesaid director under Corporate Governance code are as under:

Mr J S R Durgaprasad FCA, AICWA aged 50 years, is the promoter director of the company. He is the proprietor of M/s Durgaprasad Associates, Chartered Accountants and having experience in Taxation, Project Finance and Audit.

**3. Audit Committee:**

During the year, the Audit Committee was reconstituted and Committee consists of 1. Sri V.Umapathi –Chairman (Independent, Non-executive) 2. Sri G T Murthy- Member (Independent, Non-executive) 3. Sri J.S.R.Durga Prasad – Member (Non-Independent, Non Executive). The terms of the reference of the Audit Committee specified by the Board are as contained in Clause 49 of the Listing Agreement.

**Details of the meetings:**

Five (5) Audit Committee meetings were held during the year 2010-11 on 15<sup>th</sup> May,2010, 14<sup>h</sup> Aug,2010, 1<sup>st</sup> Oct, 2010, 15<sup>th</sup> Nov, 2010, 3<sup>rd</sup>- Dec, 2010.

S.No	Name of Director	Meetings held	Meetings Attended
1	Sri V.Umapathi	5	4
2	Sri J.S.R.Durga Prasad	5	5
3	Sri G T Murthy	3	3

The Statutory Auditors also attended the above meetings on invitation.

#### **4. Remuneration Committee:**

The Remuneration Committee, which is a non-mandatory requirement of Clause 49 was constituted. The Committee comprises of two Independent Directors and one Promoter Director, namely:

S.No	Name of Director	Meetings held	Meetings Attended
1	Sri V.Umapathi	1	1
2	Sri G T Murthy	1	1
3	Sri J.S.R.Durga Prasad	1	1

During the year the Committee held its meeting on 3<sup>rd</sup> Dec, 2010.

##### **a) Remuneration Policy**

The remuneration committee recommends the remuneration package for the managing director and other senior executives. In framing the remuneration policy committee gave due consideration to the remuneration practices of companies of similar size and stature, industry and nature of responsibilities.

Subject to the approval of the Board and of the Company in General Meeting and such other approvals as may be necessary; the Managing Director is paid remuneration. The present remuneration packages of the Company to the Managing Director includes salary, perks etc.

##### **b) Remuneration Paid to directors during 2010-2011:**

###### **i) Executive Director**

S. No.	Name	Position	Salary Rs. (PA)	Commission	P.F & HRA	Total Rs. (PA)
1.	J.Murali Krishna	Managing Director	12,00,000	-	-	12,00,000

###### **ii) Non Executive Directors:**

The sitting fee paid to the directors is Rs 3000/- (Rupees three thousand only) for attending each board meeting/ committee meeting , apart from the reimbursement of conveyance/ incidental expenses. The company has not granted any stock options to its directors during the year.

Sl. No.	Name of the Director	Total Sitting Fee Paid
1	Sri J S R Durga Prasad	Rs 15000
2	Sri V Umpathi	Rs 15000
3	Sri G T Murthy	Rs 9000

**5. Investors' Grievance & Share Transfers Committee:**

The Board of Directors constituted Investors' Grievance & Share Transfers Committee comprising of Sri J Murali Krishna, Sri V Umapathi and Dr. G.T. Murthy, Chairman of the meeting. The Committee, interalia, oversees and reviews all matters connected with the investor services and ensures that the shareholders grievances are redressed in time.

Four(4) Committee meetings were held viz., 15<sup>th</sup> May,2010, 14<sup>h</sup> Aug,2010, 1<sup>st</sup> Oct, 2010, 15<sup>th</sup> Nov, 2010, 3<sup>rd</sup>- Dec, 2010 and attended by all the members. The Company received four queries during the year 2010-11 and it was replied / resolved to the satisfaction of the investor.

There were no pending valid requisitions for transfer of shares as on 31<sup>st</sup> March, 2011.

**6. General Body Meetings:**

- a) The following are details of the location and time of the last three Annual General Meetings (AGM) of the Company:

AGM	Date of AGM	Time of Meeting	Venue of the meeting	No. of Special Resolutions passed
10 <sup>th</sup>	24-09-2008	11 AM	J S Krishnamurthy Conference Hall, FAPCCI Red Hills, Hyderabad	1
11 <sup>th</sup>	30-09-2009	3 PM	Seminar Hall, Institute of Engineers(India), Khairatabad, Hyderabad	2
12 <sup>th</sup>	31-12-2010	9 AM	Royal Function Hall Moti Nagar, Hyderabad	4

- b) None of the resolutions had been proposed to be passed through postal ballot.
- c) No Extraordinary General Meeting was held during the year 2010-11.
- d) Information on Directors seeking re-appointment as required under Clause 49 VI (A) of Listing Agreement with Stock Exchanges is provided in the Notes to the Notice under the heading "Information on Directors seeking election / re-election at the ensuing Annual General Meeting."

**7. Disclosures:**

- a) Materially significant related party transactions of the company of material nature with its promoters, the directors or the management their subsidiaries or relatives if that may have potential conflict with the interests of the company at large. As per item no. 7 under part II notes on accounts forming part of accounts as AS-18.
- b) The Company has complied with all the mandatory requirements as specified in the Clause 49 to the extent these apply and extend to the Company.
- c) There were no strictures or penalties imposed by either SEBI or Stock Exchanges or any statutory authority for non-compliance of any matter relating to the Capital Market during the last three years.
- d) The Company has constituted a Remuneration Committee and also separately maintaining office of the Chairman at the Registered Office of the Company. Other non-mandatory requirements have not been adopted by the Company for the time being.
- e) At every Board Meeting, a statement of compliance with all laws, regulations as certified by the Managing Director is placed for noting by the Board. The Board reviews the compliance of all applicable laws and gives appropriate directions, wherever necessary.

**8. Means of Communication:**

The Quarterly, Half-yearly and Annual Results of the Company are sent to the Stock Exchanges, immediately after they are approved by the Board. These are also published in the prescribed proforma within 48 hours of the conclusion of the meeting of the Board, in the Newspapers Business Standard (English) and Andhra Prabha (Telugu). Annual Report containing, interalia, Directors' Report, Auditors' Report, Audited Annual Accounts and other important information is circulated to Members and other entitled thereto.

**9. Share Holders Information:**

Annual General Meeting Date & Time	29 <sup>th</sup> September, 2011 at 10.30AM
	Venue : Royal Function Hall, Moti Nagar, Hyderabad – 500018
Financial Calendar (Tentative & Subject to change)	
Un-Audited results for Quarter ending 30 <sup>th</sup> September 2011	End of October, 2011
Un-Audited results for Quarter ending 31 <sup>st</sup> December 2011	End of January, 2012
Un-Audited results for Quarter ending 31 <sup>st</sup> March 2012	End of April, 2012
Date of Book Closure	26 <sup>th</sup> Sept 2011 to 29 <sup>th</sup> Sept 2011 both days inclusive

Dividend Payment Date	NA
Stock Exchanges where shares are listed	Bombay Stock Exchange Limited
BSE Scrip Code	533056
Demat ISIN Number for NSDL and CDSL	INE359B01010
CIN	L72200AP1998PLC029240
Outstanding ADRs/GDRs/Warrants/	NA
Any Convertible Instruments	Nil

**10. Market Price Data:**

Company's equity shares were listed on Bombay Stock Exchange Ltd from March 17<sup>th</sup>, 2009. High and Low (based on closing prices) and the number of shares traded in the financial year (2010-11) on BSE are:

Month	Low Price	High Price	No. of Shares
April,10	22.05	37.00	8010183
May,10	32.10	44.40	4851996
June,10	32.35	44.00	5050152
July,10	16.45	33.50	3507963
Aug,10	12.25	16.35	2931113
Sept,10	11.20	14.85	828553
Oct,10	10.56	12.49	407628
Nov,10	9.50	16.45	1369933
Dec,10	7.91	12.11	744015
Jan,11	7.00	9.60	1008152
Feb,11	6.50	9.29	1057245
Mar,11	6.29	8.05	575773

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**11. Demat Registrar and Share Transfer Agents:**

M/s. Venture Capital & Corporate Investments Ltd, having its office at 12-10-167, MIG- 167, Bharat Nagar Colony, Hyderabad – 500 018. Tel. No: 040- 23818475/76 Fax No: 040-23868024 E-mail: info@vccilindia.com, are the Company's Share Transfer Agents in both physical and dematerialized form.

## 12. Dematerialization & Liquidity:

Majority of the shares i.e. 74.66 % of your Company were dematerialized as on 31-3-2011. As the trading is being conducted in electronic form only, members are requested to go for dematerialization of shares.

a) Distribution of Shareholdings as on 31<sup>st</sup> March 2011:

Nominal Value	Holders		Amount	
	Number	% of Total	In Rs.	% of Total
Upto - 500	3812	71.76	81,17,310	8.68
501 - 1000	600	11.29	51,61,050	5.52
1001 - 2000	374	7.04	59,05,550	6.31
2001 - 3000	150	2.82	38,73,540	4.14
3001 - 4000	80	1.50	29,48,410	3.15
4001 - 5000	77	1.45	37,31,930	3.99
5001 - 10000	102	1.92	77,27,460	8.26
10001 and above	117	2.20	56,034,750	59.93
<b>TOTAL</b>	<b>5312</b>	<b>100.00</b>	<b>9,35,00,000</b>	<b>100.00</b>

b) Shareholding Pattern as on 31<sup>st</sup> March 2011:

S.No.	Category	No. of Shares	Percentage
1.	Promoters	1518125	16.24
2.	Persons Acting in concert	110800	1.18
3.	Mutual Funds	-	-
4.	Banks/ Financial Institutions	-	-
5.	Private Bodies Corporate	1537051	16.44
6.	Public	6062457	64.84
7.	NRIs / OCBs	18952	0.20
8.	Clearing Members	102615	1.10
	<b>TOTAL</b>	<b>9350000</b>	<b>100.00</b>

## 13. Address for Shareholders' Correspondence:

M/s. Venture Capital & Corporate Investments Ltd; MIG-167, D.No.12-10-167, Bharatnagar Colony  
Hyderabad – 500 018 Ph: 040-23818475/76

**14. Code of Conduct for the Board and Senior Management Personnel:**

The Company has laid down a Code of Conduct for all its Board Members and Senior Management Personnel of the Company. The Code of Conduct has been posted in the website of the Company. The said members will be affirming compliance with the Code on Annual Basis.

**15. Company's Policy on prevention of insider trading:**

Pursuant to the requirements of SEBI (Prohibition of Insider Trading) Regulations, 1992, as amended, the Company had framed a Code of Conduct for prevention of insider trading. Sri J. Murali Krishna, Managing Director is the Compliance Officer for this purpose. The code is applicable to all such employees of the Company who are expected to have access to the unpublished sensitive information relating to the Company and the same is being implemented as a self-regulatory mechanism.

**16. Nomination Facility:**

The Companies Act, 1956 provides facility for making nominations by shareholders in respect of their holding of shares. However large number of shareholders is yet to make nominations in respect of their holdings in physical form. Such nomination greatly facilitates transmission of shares from the deceased shareholder to his /her Nominee without having to go through the time consuming and cumbersome process of obtaining the Succession Certificate / Probate / Will. Therefore, it would be in the best interest of shareholders holding shares in Physical form as sole registered holders to make Nomination without any delay. The Nominee shall be the person in whom all the rights of transfer and / or amount payable in respect of the shares shall vest in the event of death of shareholder(s). A minor can also be a Nominee provided the name of the Guardian is given in the Nomination form.

The facility of Nomination is not available to Non-individual shareholder such as Bodies Corporate, Financial Institutions, Kartas of Hindu Undivided Family and Holders of Power of Attorney. Nominations will have to be made in the prescribed form (Form 2B) is annexed to this report.

Shareholders are requested to submit their Nomination Forms to the Company's Share Transfer Agents M/s. Venture Capital & Corporate Investments Ltd; MIG-167, D.No.12-10-167, Bharatnagar Colony ,Hyderabad – 500 018. Nomination facility in respect of shares held in Electronic form is also available with the Depository Participant (DP) as per the Byelaws and Business Rules applicable to NSDL and CDSL.

**ANNUAL CERTIFICATION**

- a. We have reviewed the financial statements and the cash flow statement for the year and that to the best of our knowledge and belief.
  - i. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.
  - ii. these statements together present a true and fair view of the Company's affairs and are in compliance with the existing accounting standards, applicable laws and regulations.



- b. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal, violative of the Company's code of conduct.
- c. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting and we have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- d. We have indicated to the Auditors and the Audit Committee
  - i. Significant changes in internal controls over financial reporting during the year.
  - ii. Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements ; and
  - iii. Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

**CERTIFICATE OF COMPLIANCE WITH THE CODE OF CONDUCT**  
**(Declaration under clause 49 (I) (D))**

This is to certify that:

- 1. In pursuance of the provisions of Clause 49 (I)(D) of the Listing Agreement, a Code of Conduct has been laid down by the Company for all the Board members and the Senior Management Personnel of the Company.
- 2. The said Code of Conduct is also uploaded on the website of the Company.
- 3. All the Board Members and Senior Management Personnel have affirmed having complied with the said Code of Conduct during the year ended 31<sup>st</sup> March, 2011

For **VEDAVAAG Systems Limited**

Place : Hyderabad

**J. Murali Krishna**

Date : 05.09.2011

Managing Director

**AUDITORS CERTIFICATE ON CORPORATE GOVERNANCE**

**To**

**The Members of**

**Vedavaag Systems Limited**

We have examined the compliance of conditions of corporate governance of M/s Vedavaag Systems Limited for the year ended on 31<sup>st</sup> March 2011, as stipulated in clause 49 of the Listing agreement of the company with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementation thereof, adopted by the company for ensuring compliance with the conditions of corporate governance as stipulated in the said clause. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us, and based on the representations made by the directors and the management, we certify that the company has complied with the conditions of corporate governance as stipulated in the above mentioned listing agreement.

We state that no investor grievances are pending for a period exceeding on month against the company as per records maintained by the shareholders / investors grievances committee.

We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

**For MAHESH, VIRENDER & SRIRAM**

Chartered Accountants

Firm Reg. No. 001939S

**S. Sriram Gopal**

Partner

M. No. 25484

Place: Hyderabad

Date: 05.09.2011

**AUDITORS REPORT**

To

The Share holders of

M/s Vedavaag Systems Limited

Hyderabad.

1. We have audited the attached Balance Sheet of **M/s Vedavaag Systems Limited**, Hyderabad as at 31<sup>st</sup> March, 2011, Profit and Loss Account and the Cash Flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with the Auditing Standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our Audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 as amended by Companies (Auditor's Report) (Amendment) Order, 2004 (together 'the Order'), issued by the Central Government of India in terms of sub-section (4A) of section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraphs 3 above, we report that:
  - a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b. in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - c. the Balance Sheet, Profit and Loss Account and Cash Flow statement dealt with by this report are in agreement with the books of account;
  - d. in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow statement dealt with by this report comply with the mandatory Accounting Standards referred to in section 211 (3C) of the Companies Act, 1956;

- e. based on information and explanations given to us, we report that none of directors are disqualified as on 31<sup>st</sup> March, 2011 from being appointed as directors in terms of section 274(1)(g) of the Companies Act, 1956;
- f. in our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the Significant Accounting Policies and notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view, in conformity with the accounting principles generally accepted in India:
  - (i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2011;
  - (ii) In the case of the Profit and Loss Account, of the **Profit** for the year ended on that date; and
  - (iii) In the case of the Cash Flow statement, of the Cash Flows for the year ended on that date.

**for MAHESH, VIRENDER & SRIRAM**

Chartered Accountants

Firm Reg. No. 001939S

Sd/-

**S.Sriram Gopal**

Partner

M.No.25484

Place : Hyderabad

Date : 05.09.2011

**ANNEXURE TO AUDITORS REPORT**

Referred to in paragraph 3 of our report of even date

- i. a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets on the basis of available information.
- b) The fixed assets have been physically verified by the management during the year. No material discrepancies were noticed on such physical verification.
- c) The Company has not disposed of substantial part of fixed assets during the year.
- ii. a) As explained to us, inventories have been physically verified by the management at regular intervals during the year.
- b) In our opinion and according to the information and explanation given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- c) The company has maintained proper records of inventories. As explained to us there were not material discrepancies noticed on physical verification of inventory as compared to the book records.
- iii. The Company has not granted or taken any loans, secured or unsecured, from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.
- iv. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of fixed assets and also with regard to the sale of goods. During the course of our audit, we have not observed any major weaknesses in internal controls.
- v. a) According to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements that need to be entered into in the register maintained under Section 301 of the Companies Act, 1956 have been so entered.
- b) According to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of rupees five lacs in respect of any party have been made at prices which are reasonable having regard to prevailing market price at the relevant time.
- vi. According to the information and explanations given to us the Company has not accepted any deposits from the public with in the meaning of section 58A & 58AA of the Companies Act, 1956.
- vii. In our opinion, the internal audit functions carried out during the year have been commensurate with its size of the Company and the nature of its business.

- viii. According to the information and explanations given to us the Company is not required to maintain cost records under section 209(1)(d) of the Companies Act, 1956 in respect of the services carried out by the Company.
- ix. (a) According to the information & explanations given to us and the records of the Company examined by us, in our opinion the Company is generally regular in depositing the undisputed statutory dues including Provident Fund, Employee's State Insurance, Sales Tax, Customs Duty, Excise Duty, Cess, Investor Education and Protection Fund and other material statutory dues with the appropriate authorities. According to the information and explanations given to us, *TDS of Rs. 1,89,520/-* has not yet been deposited with the appropriate authorities.
- (b) According to the information and explanations given to us, the undisputed amounts payable in respect of Income Tax is Rs. 44,62,842/- as on 31<sup>st</sup> March 2011.
- x. The Company does not have accumulated losses and has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
- xi. According to the information and explanations given to us and the record of the Company examined by us, we are of the opinion that the Company has not defaulted in repayment of dues to banks and financial institutions.
- xii. In our opinion and according to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. In our opinion and according to the information and explanations given to us, the provisions of any special statute applicable to a chit fund or a nidhi/ mutual benefit fund/ societies are not applicable to the Company.
- xiv. In our opinion and according to the information and explanations given to us the Company is not dealing or trading in shares, securities, debentures and other investments.
- xv. In our opinion and according to the information and explanations given to us, the Company has not given any guarantees for loans taken by others from Banks or Financial Institutions.
- xvi. According to the information and explanations given to us, in our opinion term loans availed by the Company were, prima facie, applied for the purpose for which they were raised.
- xvii. According to the information and explanations given to us, and on an overall examination of the Balance Sheet of the Company, funds raised on a short term basis have prima facie not been used during the year for long term investment, and vice versa.
- xviii. According to the information and explanations given to us, the company has not made any preferential allotment of shares during the year to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.

- xix. The Company has not issued any Debentures & hence the creation of securities in respect of the same does not arise.
- xx. The Company has not raised any money by public issues during the year.
- xxi. In our opinion and according to the information and explanations given to us, considering the size and nature of the Company's operations, no fraud of material significance on or by the Company has been noticed or reported during the course of the audit.

for **MAHESH, VIRENDER & SRIRAM**

Chartered Accountants

Firm Reg. No. 001939S

Sd/-

**S.Sriram Gopal**

Partner

M.No.25484

Place : Hyderabad

Date : 05.09.2011

**VEDAVAAG SYSTEMS LIMITED  
(formerly SARK SYSTEMS INDIA LIMITED)**

403, West Block, Siri Sai Orchid, Madhapur, Hitech City, Hyderabad - 500 081.

**BALANCE SHEET AS AT 31st MARCH 2011**

		Schedule	As at 31.03.2011 Rs.	As at 31.03.2010 Rs.
<b>I.</b>	<b>SOURCES OF FUNDS</b>			
<b>1</b>	<b>SHAREHOLDERS' FUND</b>			
	(a) Share Capital	<b>A</b>	93,500,000	93,500,000
	(b) Reserves & Surplus	<b>B</b>	119,407,264	117,337,561
<b>2</b>	<b>LOAN FUNDS</b>			
	(a) Secured Loans	<b>C</b>	82,726,982	118,857,487
	(b) Unsecured Loans	<b>D</b>	69,528,627	46,731,588
<b>3</b>	<b>DEFERRED TAX LIABILITY</b>	<b>E</b>	32,909,013	32,909,013
	<b>TOTAL</b>		<b>389,071,886</b>	<b>409,335,649</b>
<b>II.</b>	<b>APPLICATION OF FUNDS</b>			
<b>1</b>	<b>FIXED ASSETS</b>			
	(a) Gross Block		507,389,925	488,236,850
	(b) Less: Accumulated Depreciation		293,561,845	227,869,741
	(c) Net Block		213,828,080	260,367,109
	(d) Capital Work In progress		52,083,808	40,868,452
<b>2</b>	<b>INVESTMENTS</b>	<b>G</b>	200,000	100,000
<b>3</b>	<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>	<b>H</b>		
	(a) Inventory		7,546,842	6,521,007
	(b) Sundry Debtors		121,104,046	94,069,788
	(c) Cash & Bank Balances		421,901	336,398
	(d) Loans & Advances		18,506,752	28,175,435
			147,579,541	129,102,628
<b>4</b>	<b>CURRENT LIABILITIES &amp; PROVISIONS</b>	<b>I</b>		
	(a) Current Liabilities		14084505	12,790,091
	(b) Provisions		1535039	8,312,449
			15,619,544	21,102,540
<b>5</b>	<b>NET CURRENT ASSETS</b>		131,959,997	108,000,088
<b>6</b>	<b>MISCELLANEOUS EXPENDITURE</b>		-	-
	(To the extent not written off)			
	<b>TOTAL</b>		<b>398,071,886</b>	<b>409,335,649</b>

Significant of Accounting policies & Notes  
on Accounts

**N**

Schedules referred to above and the notes thereon form an integral part of Balance Sheet

Vide our report of even date

**For MAHESH, VIRENDER & SRIRAM**

Chartered Accountants

Sd/-

**S.Sriram Gopal**

Partner

M.No. 25484.

Place : Hyderabad

Date : 05.09.2011

For and on behalf of The Board of Directors

Sd/-

**JSR Durga Prasad**

Chairman

Sd/-

**J Murali Krishna**

Managing Director



**VEDAVAAG SYSTEMS LIMITED**  
**formerly SARK SYSTEMS INDIA LIMITED**

403, West Block, Siri Sai Orchid, Madhapur, Hitech City, Hyderabad - 500 081.

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2011**

	<b>Schedule</b>	<b>As at 31.03.2011 Rs.</b>	<b>As at 31.03.2010 Rs.</b>
<b>INCOME</b>			
Sales & Services		172,454,467	165,423,241
Other Income		23,932	-
<b>TOTAL</b>		<b>172,478,399</b>	<b>165,423,241</b>
<b>EXPENDITURE</b>			
Project Expenses	<b>J</b>	94,939,619	79,221,509
Payment & Benefits to Employees	<b>K</b>	3,943,586	2,393,488
Administrative & Marketing Expenses	<b>L</b>	4,841,906	5,913,766
Financial Expenses	<b>M</b>	520,424	8,223,895
Depreciation	<b>F</b>	65,692,105	68,637,492
Preliminary & Public Issue Expenses; and Misc Exps Written off		-	246,322
<b>TOTAL</b>		<b>169,937,640</b>	<b>164,636,472</b>
<b>PROFIT BEFORE TAXATION</b>		2,540,759	786,769
Provision for Income Tax		471,057	122,000
<b>PROFIT AFTER TAXATION</b>		2,069,703	664,769
Balance brought forward from previous year		43,377,398	42,712,629
<b>SURPLUS CARRIED TO BALANCE SHEET</b>		<b>45,447,101</b>	<b>43,377,398</b>
Significant of Accounting policies & Notes on Accounts	<b>N</b>		

Schedules referred to above and the notes thereon form an integral part of Profit & Loss Account

Vide our report of even date

**For MAHESH, VIRENDER & SRIRAM**

Chartered Accountants

Sd/-

**S.Sriram Gopal**

Partner

M.No. 25484.

For and on behalf of The Board of Directors

Sd/-

**JSR Durga Prasad**

Chairman

Sd/-

**J Murali Krishna**

Managing Director

Place : Hyderabad

Date : 05.09.2011

**SCHEDULES FORMING PART OF BALANCE SHEET**

		As at 31.03.2011 Rs.	As at 31.03.2010 Rs.
<b>A</b>	<b>SHARE CAPITAL</b>		
	<i>Authorised Capital :</i>		
	1,00,00,000 Equity Shares of Rs. 10/- each	100,000,000	100,000,000
	10,00,000 8% Preference Shares of Rs. 10/- each	10,000,000	10,000,000
		<b>110,000,000</b>	<b>110,000,000</b>
	<i>Issued, Subscribed and Paid up Capital:</i>		
	93,50,000 Equity Shares of Rs. 10/- each	93,500,000	93,500,000
	<b>TOTAL</b>	<b>93,500,000</b>	<b>93,500,000</b>
<b>B</b>	<b>RESERVES &amp; SURPLUS</b>		
	Profit & Loss Account	45,447,101	43,377,398
	Share Premium	63,000,000	63,000,000
	Capital Reserve	10,667,080	10,667,080
	Mat Credit Reserve	293,083	293,083
	<b>TOTAL</b>	<b>119,407,264</b>	<b>117,337,561</b>
<b>C</b>	<b>SECURED LOANS</b>		
	Vehicle Loan - AXIS BANK	152,163	315,364
	Equipment Loan - ICICI Bank	386,772	386,772
	Cash Credit - UCO Bank,	3,055,602	2,531,279
	Term Loan - UCO Bank	9,500,000	-
	Term Loan - IL & FS FINANCIAL SERVICES LTD	69,632,445	115,624,072
	<b>TOTAL</b>	<b>82,726,982</b>	<b>118,857,487</b>
<b>D</b>	<b>UNSECURED LOANS</b>		
	Inter Corporate Deposit	-	1,928,399
	VLE deposits	19,537,000	34,803,189
	Others	49,991,627	10,000,000
	<b>TOTAL</b>	<b>69,528,627</b>	<b>46,731,588</b>
<b>E</b>	<b>DEFERRED TAX LIABILITY</b>	32,909,013	32,909,013
	<b>TOTAL</b>	<b>32,909,013</b>	<b>32,909,013</b>

## F. DEPRECIATION SCHEDULE

## Fixed Assets

Item	Rate of depn.	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		01.04.2010	Additions	Deletions	31.03.2011	01.04.2010	Deletions	for the year	31.03.2011	31.03.2011	As at 31.03.2010
Computer Hardware	16.21%	329,721,219	19,153,075	-	348,874,294	186,142,018	-	53,706,536	239,848,554	109,025,740	143,579,201
Computer software	16.21%	41,500,419	-	-	41,500,419	26,107,781	-	6,727,218	32,834,999	8,665,420	15,392,638
Library	4.75%	56,005	-	-	56,005	28,792	-	2,660	31,452	24,553	27,213
Air Conditioners	4.75%	1,455,842	-	-	1,455,842	564,450	-	69,152	633,602	822,240	891,392
Electrical Fittings	4.75%	15,352,419	-	-	15,352,419	2,836,850	-	729,240	3,566,090	11,786,329	12,515,569
Office Equipment	4.75%	243,935	-	-	243,935	109,934	-	11,587	121,521	122,414	134,001
Furniture & Fittings	6.33%	61,583,841	-	-	61,583,841	9,059,526	-	3,898,257	12,957,783	48,626,058	52,524,315
Vehicles	9.75%	1,720,462	-	-	1,720,462	881,824	-	167,745	1,049,569	670,893	838,638
Wireless Towers	3.34%	11,368,543	-	-	11,368,543	2,138,565	-	379,709	2,518,274	8,850,269	9,229,978
Project Dev. In progress		25,234,165	-	-	25,234,165	-	-	-	-	25,234,165	25,234,165
<b>Total</b>		<b>488,236,850</b>	<b>19,153,075</b>	<b>-</b>	<b>507,389,925</b>	<b>227,869,740</b>	<b>-</b>	<b>65,692,105</b>	<b>293,561,845</b>	<b>213,828,080</b>	<b>260,367,109</b>

**SCHEDULES FORMING PART OF BALANCE SHEET**

		As at 31.03.2011 Rs.	As at 31.03.2010 Rs.
<b>G</b>	<b>INVESTMENTS</b>		
	<i>Unquoted</i>		
	Sarksys Haryana Pvt Ltd (10,000 Equity Shares Of Rs.10/-each)	100,000	100,000
	Vagdevi Sark Edutech Pvt Ltd (10,000 Equity Shares Of Rs.10/-each)	100,000	
	<b>TOTAL</b>	<b>200,000</b>	<b>100,000</b>
<b>H</b>	<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
	(a) <b>Inventory</b>	7,546,842	6,521,007
	(b) <b>Sundry Debtors</b>		
	(Unsecured - Considered Good)		
	(a) Debts outstanding for more than six months)		
	~ Due from Government	72,355,462	38,350,795
	~ Due from Others	4,856,245	8,173,117
	(b) Other Debts		
	~ Due from Government	12,442,000	10,224,000
	~ Due from Others	1,735,569	4,732,880
	(c) Deferred Debtors		
	~ Due from Government	29,714,770	32,588,996
	~ Due from Others		
	(c) <b>Cash &amp; Bank Balances</b>		
	Cash On Hand	224,672	232,335
	Balance with Banks - in Current Accounts	197,229	104,063
	(d) <b>Loans &amp; Advances</b>		
	Deposits	4,814,326	13,841,271
	Staff Advances	1,827,842	423,210
	Tax Deducted at Source	2,630,799	4,053,357
	Other Advances	9,233,785	9,857,597
	<b>TOTAL</b>	<b>147,579,541</b>	<b>129,102,628</b>
<b>I</b>	<b>CURRENT LIABILITIES &amp; PROVISIONS</b>		
	(a) <b>CURRENT LIABILITIES</b>		
	<i>Sundry Creditors</i>		
	Due to Other Undertakings	8,765,088	9,965,088
	Oustanding liabilities	5,319,417	5,798,863
		<b>14,084,505</b>	<b>15,763,951</b>
	(b) <b>PROVISIONS</b>		
	Provision for Income Tax	1,535,039	5,338,589
		<b>1,535,039</b>	<b>5,338,589</b>

**SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT**

		<b>As at 31.03.2011 Rs.</b>	<b>As at 31.03.2010 Rs.</b>
<b>J</b>	<b>PROJECT EXPENSES</b>		
	Man Power and Data Entry Expenses	4,162,557	9,930,000
	Purchases and Consumables	990,250	3,388,386
	CSC Expenses	89,786,812	65,903,123
	<b>TOTAL</b>	<b>94,939,619</b>	<b>79,221,509</b>
<b>K</b>	<b>PAYMENT &amp; BENEFIT TO EMPLOYEES</b>		
	Managing Director's Remuneration	1,200,000	-
	Salaries & Allowance to Employees	2,531,844	2,265,700
	Staff Welfare	211,742	127,788
	<b>TOTAL</b>	<b>3,943,586</b>	<b>2,393,488</b>
<b>L</b>	<b>ADMINISTRATIVE &amp; MARKETING EXPENSES</b>		
	Audit Fee	137,875	110,300
	Advertisement	35,247	28,529
	Bank Charges	47,632	200,422
	Books & Periodicals	9,428	7,514
	Consultancy	-	873,476
	Conveyance	764,598	692,094
	Directors sitting fee	39,000	54,000
	Legal Expenses	40,000	75,084
	Miscellaneous expenses	406,048	860,679
	Office maintenance	1,284,679	1,020,131
	Postage, telegrams	89,712	24,988
	Printing & stationery	114,524	38,578
	Repairs & Maintenance	192,260	261,042
	Rent, rates & taxes	651,871	54,808

		<b>As at 31.03.2011 Rs.</b>	<b>As at 31.03.2010 Rs.</b>
	Vehicle Maintenance	112,453	96,545
	Meeting expenses	69,729	38,445
	Share Service Charges	56,443	37,250
	Listing Fee	50,297	51,321
	Telephone & Fax	208,146	433,548
	Travelling expenses	531,964	955,012
	<b>TOTAL</b>	<b>4,841,906</b>	<b>5,913,766</b>
<b>M</b>	<b>FINANCIAL EXPENSES</b>		
	Interest On Term loan	-	7,827,546
	Interest on other loans	490,080	343,576
	Interest on Vehicle loan	30,344	52,773
	<b>TOTAL</b>	<b>520,424</b>	<b>8,223,895</b>

**SCHEDULE. N****NOTES FORMING PART OF ACCOUNTS: Significant Accounting Policies and Notes on Accounts.****I. Significant Accounting policies:**

- |                             |   |
|-----------------------------|---|
| 1. Basis of Accounting:     | a) The financial statements have been prepared under the Historical convention and in accordance with applicable Accounting Standards issued by the Institute of Chartered Accountants of India and relevant presentational requirements of the Companies Act., 1956. |
|                             | b) Accounting policies not specifically referred to otherwise are in accordance with prudent accounting principles.   |
|                             | c) All Income and Expenditure items having material bearing on the financial statements are recognised on accrual basis.  |
| 2. Fixed Assets:            | Fixed Assets are stated at cost including related incidental expenditure.   |
| 3. Capital Work in Progress | Advance paid towards acquisition of Fixed Assets and the cost of Assets not put to use before the year end are disclosed under this head.   |
| 4. Depreciation             | Depreciation on fixed assets has been provided on Straight Line method and Depreciation is provided on pro-rata basis as per Schedule VI of Companies Act, 1956.  |
| 5. Revenue Recognition      | Revenue from technical services is recognised on a prorata basis over the period in which services are rendered.  |
| 6. Inventory                | Inventories are valued at cost or net realisable value whichever is lower.  |
| 7. Misc.Expenditure         | Preliminary expenses are amortised over a period of 5(Five) years.  |
| 8. Provision for Taxation   | Provision is made for Income Tax annually based on the tax liability computed after considering tax allowances and exemptions.  |
| 9. Foreign Exchange Policy  | Fixed Assets and Long Term Liabilities are accounted at the rates prevailing on the dates of transactions Current Assets and Current Liabilities are accounted at Rate prevailing on the date of the Balance Sheets.  |

All the Income items other than those pertaining to the Foreign Branches are accounted on the basis of Exchange rate prevailing on the dates of transactions.

All the expenditure items during a month other than those pertaining to the Foreign Branch are reported at a rate that approximates the actual rate during that month.

Sale proceeds are converted into Indian Rupees at the Rates prevailing on the date of receipt.

Net Foreign Exchange difference on Foreign Currency Transactions is recognised in the Profit and Loss account during the year.

10. Retirement Benefits

Contributions to Provident and Superannuation Funds are recognised as expense when incurred.

Liability for gratuity and encashable leave are actuarially determined at the Balance Sheet date.

11. Deferred Tax Liability/Asset

To provide and recognise deferred tax on timing differences between taxable income and accounting income subject to consideration of prudence.

12. Impairment of assets

The carrying amount of assets are reviewed at each Balance Sheet date to assess whether they are recorded in excess of their recoverable amounts. Where carrying values exceed the estimated recoverable amount, impairment loss is recognised and assets are written down to their recoverable amount.



**SCHEDULE: N**

**NOTES FORMING PART OF ACCOUNTS : Significant Accounting Policies and Notes on**

**Accounts II Notes On accounts**

**1 Contingent Liabilities:**

- |   |   |              |
|---|---|--------------|
| a | Claims against the company not acknowledged as debts:                                 | Rs. 1.10 Cr. |
| b | Other money for which the company is contingently liable:                             |              |
|   | Counter guarantees given in favour of company's bankers for guarantees issued by them | Rs. 0.09 Cr. |

**2 Secured Loans:**

- a The Term loan from IL & FS Financial Services Ltd has been secured by hypothecation of all assets of the company. Interest for the financial year 2010-11 has not been charged on the term loan as compromise arrangement has been arrived at with the lender for one time settlement.
- b Term loan and Working capital loan by way of Cash Credit from UCO Bank, Suryanagar Branch, Hyderabad has been secured by first charge on the current assets of the company.
- c Vehicle loan from Axis Bank, Patna has been secured by hypothecation of the vehicle purchased.
- d Equipment loan from ICICI Bank, Hyderabad has been secured by Hypothecation of the equipments purchased.

**3 Managerial Remuneration**

**Rupess in Lakhs**

Remuneration paid to Managing Director	12.00	-
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**4 Auditors' Remuneration**

For Statutory Audit	0.75	0.60
For Tax Audit	0.25	0.25
Out of Pocket expenses	0.25	0.15
Service Tax	0.12	0.12

**5 Foreign Exchange Earnings & Out go**

Earnings	37.88	12.25
Outgo	-	-

6 Income Tax liability amounting to Rs. 44.62 lakhs is pending payment.

7 **Quantitative Details**

The company is engaged in the business of development of computer software and delivering turn key solutions on Build, Operate and Own - BOO basis. The production and sale of such software is not capable of being expressed in any generic unit. Hence, it is not possible to give the quantitative details of such sale and information required under paragraphs 3, 4C and 4 D of Part II of Schedule VI of the Companies Act, 1956.

8 **Related Party Disclosures as per AS 18**

Transactions with related parties in the ordinary course of business

<b><i>Name of the Related Party</i></b>	<b><i>Nature of Relationship</i></b>	<b><i>Nature of Transaction &amp; amount</i></b>
J. Murali Krishna Managing Director	Brother of JSR Durga Prasad Chairman,	Remuneration Rs. 12 Lakhs Unsecured Loans Rs. 2.6 Cr.
J. Sujatha	Wife of JSR Durga Prasad Chairman	Unsecured Loans Rs. 0.4 Cr.

9 **Earning Per share (EPS)**

	<b>31-03-11</b>	<b>31-03-10</b>
Net profit for the year Rs.	2069702	664769
Amount available for equity share holders Rs.	2069702	664769
Weighted average no. of shares	9350000	9350000
Earning per share basic and diluted Rs.	0.22	0.07
Face value of equity share Rs.	10	10

10. The composition of deferred tax liability as at 31.03.2011 of Rs. 329.09 lakhs (previous year Rs. 329.09 lakhs) is on account of timing differences relating to depreciation. During the year no additional provision for deferred tax has been made as it is felt that the existing provisions are adequate.

11. There are no small scale industrial undertakings to whom the company owes a sum exceeding Rs. 1.00 lakh which is outstanding for more than 30 days of the Balance sheet date.

12. Confirmation of balances from parties as at the end of the the year has not been received and adjustments, if any, shall be made as an ongoing process.

13. Previous year figures have been regrouped and rearranged wherever necessary.

14. All figures have been rounded off to the nearest rupee.

**III. Information Pursuant to part IV of Schedule VI of the Companies Act, 1956 Balance Sheet Abstract and Company's General Business Profile**

1.	Registration Details:	Registration No. 01-29240	State Code : 01
		Balance Sheet Date : 31.03.2011	
2.	Capital Raised during the year: (Amount in Rs. Thousands)	Public Issue : NIL	Rights Issue: NIL
		Bonus Issue : NIL	Private Placement:
3.	Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)	Total Liabilities: 398072	Total Assets: 398072
		<b>Sources of Funds:</b>	
		Paid-up Capital : 93500	Reserves & Surplus : 119407
		Secured Loans : 82727	Unsecured Loans: 69529
		Deferred Tax Liability: 32909	
		<b>Application of Funds:</b>	
		Net Fixed Assets: 265911	Investments: 200
		Net Current Assets: 131961	Misc. Expenditure: Nil
		Accumulated Losses: NIL	
4.	Performance of the Company (Amount in Rs. Thousands)	Turnover : 172478	Total Expenditure: 169938
		Profit/ Loss Before Tax: 2541	Profit/Loss After Tax: 2070
		Earning per Share in Rs.: 0.22	Dividend(%) : Nil
5.	Generic Names of three Principal Products/ Services of Company	Product Description Computer Software & Services	Item Code 001

Signatures for Schedule A-N  
Vide our report of even date

for **MAHESH,VIRENDER & SRIRAM**  
CHARTERED ACCOUNTANTS

for and on behalf of the Board of Directors

**S.SRIRAM GOPAL**  
Partner  
M.No.25484

**J.S.R.DURGA PRASAD**  
CHAIRMAN

**J.MURALI KRISHNA**  
MANAGING DIRECTOR

Place: Hyderabad  
Date : 05.09.2011

**CASH FLOW STATEMENT**

	for the year ended March 31,2011 Rs.	for the year ended March 31,2010 Rs.
<b>a. Cash Flow from Operating Activity</b>		
Net Profit before interest and Tax	3,061,183	9,010,664
Adjustment for :		
Income Tax	(471,057)	(122,000)
Deferred Tax		
Depreciation	65,692,105	68,637,492
Preliminary & Public Issue Expenses written off	-	246,322
Increase/Decrease in Inventory	(1,025,835)	(3,754,773)
Increase/Decrease in Bills Receivables	(27,034,258)	(7,897,344)
Increase/Decrease in Loans & Advances	9,668,683	3,000,842
Increase/Decrease Current Liabilities & Provisions	(5,482,996)	(8,767,414)
<b>Net Cash Flow From Operating Activites</b>	<b>44,407,825</b>	<b>60,353,789</b>
<b>b. Cash Flow from Financiag Activity</b>		
Increase in Investments	(100,000)	-
Purchase of Fixed Assets	(30,368,431)	(61,317,028)
Net Cash Flow From Financing Activites	(30,468,431)	(61,317,028)
<b>c. Cash Flow from Financing Activity</b>		
Proceeds from borrowings - Term Loan	(36,130,505)	1,622,803
Proceeds from borrowings - Unsecured Loans	22,797,039	5,765,330
Interest Paid	(520,424)	(8,223,895)
Net Cash Flow From Financing Activites	(13,853,890)	(835,762)
Net Increase in cash equivalents during the year	85,504	(1,799,001)
Cash and cash equivalents at the beginning of the year	336,398	2,135,400
Cash and cash equivalents at the end of the year	421,901	336,398

Vide our report of even date

for **MAHESH,VIRENDER & SRIRAM**

for and on behalf of the Board of Directors

CHARTERED ACCOUNTANTS

**S.SRIRAM GOPAL**

**J.S.R.DURGA PRA SAD**

**J.MURALI KRISHNA**

Partner  
M.No.25484

CHAIRMAN

MANAGING DIRECTOR

Place: Hyderabad

Date : 05.09.2011

I / We of \_\_\_\_\_  
\_\_\_\_\_ being a  
Member/s of VEDAVAAG Systems Limited, hereby appoint \_\_\_\_\_ of  
\_\_\_\_\_ or, failing him/her  
\_\_\_\_\_ of \_\_\_\_\_ I as my / our proxy to  
vote for me/us on my / our behalf at the 13<sup>th</sup> Annual General Meeting of the Company to be held on the  
29th Day of September, 2011 at 10-30 A.M. at Royal Function Hall, Motinagar, Hyderabad - 500 018 and  
at any adjournment thereof.

Signed this \_\_\_\_\_ Day of \_\_\_\_\_ 2011. Signature \_\_\_\_\_

Revenue  
Stamp of  
Rs. 1

Note : THIS FORM SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY  
NOT LESS THAN 48 HOURS BEFORE THE TIME FOR HOLDING THE MEETING.

**VEDAVAAG SYSTEMS LIMITED  
ATTENDANCE SLIP**

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE  
MEETING HALL.

Folio / D.P. Id. :

Name of the Shareholder :

No. of Shares :

I hereby record my presence at the 13<sup>th</sup> Annual General Meeting of the Company held on 29th September 2011 at 10-30 A.M. at Royal Function Hall, Motinagar, Hyderabad - 500 018.

Full Name of the share Holder/Proxy

Signature of the Share Holders/Proxy

**Note :** No additional / duplicate Attendance Slip will be issued at the Meeting Hall

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No. of Shares	
Account No	

**FORM 2B**  
**NOMINATION FORM**

(To be filled individual(s) applying singly or jointly)

I/We \_\_\_\_\_ and  
\_\_\_\_\_ and  
\_\_\_\_\_ the Members of Vedavaag Systems Limited, holding  
shares bearing Distinctive Numbers \_\_\_\_\_ wish to make a  
nomination and do hereby nominate the following person in whom all rights of transfer and/or amount  
payable in respect of shares shall vest in the event of my or our death.

**Name and Address of Nominee**

Name: : \_\_\_\_\_

Address: \_\_\_\_\_

Date of Birth \_\_\_\_\_

(If nominee is a minor)

Guardian of the Minor is (to be furnished only if nominee is a minor)

Name: \_\_\_\_\_

Address: \_\_\_\_\_

**-----**  
**SHAREHOLDERS' INFORMATION**

1. Signature : \_\_\_\_\_  
Name : \_\_\_\_\_  
Address : \_\_\_\_\_  
Date : \_\_\_\_\_
2. Signature : \_\_\_\_\_  
Name : \_\_\_\_\_  
Address : \_\_\_\_\_  
Date : \_\_\_\_\_
3. Signature : \_\_\_\_\_  
Name : \_\_\_\_\_  
Address : \_\_\_\_\_  
Date : \_\_\_\_\_

**Name, Address and Signature of two Witnesses**

Name and Address	Signature with Date
1.	
2.	

**Instructions:**

1. The Nomination can be made by individuals holding shares on their behalf singly or jointly. Non-individuals including Society, Trust, Body Corporate, Partnership Firm, Karta of Hindu Undivided Family, Holder of Power of Attorney cannot nominee. If the Shares are held jointly, all Joint holders shall sign the nomination form.
2. A Minor can be nominated by a Holder of shares and in that event, the name and address of the Guardian should be provided.
3. The Nominee shall not be a Trust, Society, Body Corporate, Partnership firm, Karta of Hindu Undivided Family or a Power of Attorney Holder. A Non-Resident Indian can be a nominee on repatriable basis.
4. Nomination stands rescinded upon transfer of shares.
5. Transfer of shares in favour of Nominee shall be valid discharge by the Company against the Legal heir.
6. The Nomination form shall be filed in duplicate with the Company's Share Transfer Agents M/s Venture Capital and Corporate Investments Pvt. Limited, 12-10-167, Bharat Nagar, HYDERABAD – 500 018, which will return one copy thereof to the Shareholder.

**FOR OFFICE USE ONLY**

Nomination Registration Number:

Date of Registration:

Checked by (Name and Signature):